BRITISH COLUMBIA
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BCStats

Infoline

Contact: bcstats.infoline@gov.bc.ca Issue: 10-03 January 22, 2010

- **Population up in 24 of 29 regions of the province**
- **Consumer prices increase 0.4% in December**
- **Retail sales advance 0.6% in November**

Population

- **Regionally, 24 out of 29 of British Columbia's regional districts showed a population increase between 2008 and 2009.** Squamish-Lillooet showed the largest population growth (+3.6%) while Stikine experienced the sharpest decline (-4.9%). Greater Vancouver, the largest region and home to more than 2.3 million residents, showed a gain of 2.0%. *Data Source: BC Stats*

- **In 2009, Okanagan-Similkameen had the oldest population with 26% of its residents being senior citizens.** This region also had the highest proportion (2%) of people over 90 years of age when compared with the provincial average (<1%). Northern Rockies had the youngest population with only 3% of its residents being 65 years of age and older. While most (52%) of BC's seniors lived in the Greater Vancouver and Fraser Valley regions, one out of every five seniors resided on Vancouver Island.

  Data Source: BC Stats

- **As in the past, females (52%) outnumber males (48%) in 2009.** Okanagan-Similkameen had the largest female-to-male ratio at 52%. However, 15 regions had more males than females. Northern Rockies, for example, had the lowest female-to-male ratio at 46%.

  Data Source: BC Stats

Prices

- **Consumer prices in British Columbia inched ahead 0.4% in December 2009 compared to the same month a year ago.** For a second straight month, the rise in the Consumer Price Index (CPI) can be largely attributed to an increase in gasoline prices (+24.4%). Overall, energy prices were up 10.4%. However, excluding energy, consumer prices fell 0.3%.

  The price of food rose slightly (+0.7%) as restaurant bills jumped 1.9%. Grocery prices, on the other hand, remained unchanged (+0.0%). Property taxes (+6.2%) and maintenance costs (+4.3%) were up. However, lower mortgage interest costs, insurance premiums (-12.1%) and utilities (-2.9%) put continued downward pressure on shelter costs (-3.1%). Tenants, on the other hand, saw an average 1.4% increase in rent. While the rise in gasoline prices was certainly the largest contributor to a 3.4% increase in transportation costs, car owners also had to contend with increased costs for maintenance (+1.3%) and insurance (+2.3%).

  The cost of household operations, furnishings & equipment rose 1.2%, due primarily to a jump in the price of cable and satellite services (+8.6%). Clothing & footwear prices were up 2.1% while recreation, education & reading materials costs increased 1.3%. Also higher were health & personal care (+2.0%) and alcohol & tobacco (+2.4%) products.

  Prices in Vancouver (+0.7%) and Victoria (+0.5%) increased at rates slightly higher than the provincial average. *Data Source: Statistics Canada*

- **At the national level, consumer prices were 1.3% higher in December.** As was the case in BC, gasoline prices (+25.6%) were the main reason for the increase. A rise in the cost of heating oil was felt most directly in the Atlantic provinces, where oil (as opposed to electricity or natural gas) is still the most widely used method of heating. This put strong upward pressure on prices in PEI (+3.0%), New Brunswick (+3.0%) and Nova Scotia (+2.6%).

  Data Source: Statistics Canada

The Economy

- **Manufacturing sales in British Columbia**

Report BC's Pulp and Paper Exporters Facing Challenges

Did you know...

Looking toward the 2010 Winter Olympic Games, Canadians are most interested in men's ice hockey (66%) and the opening ceremonies (61%).

Data Source: Vision Critical Market Research

slipped 0.8% (*seasonally adjusted*) to $2,785 million in November. Increased shipments by the food (+2.0%), wood (+1.0%) and machinery & equipment (+4.1%) industries were overshadowed by a downturn in sales by both paper product (-8.0%) and primary metal (-3.2%) producers.

Nationally, manufacturing sales inched ahead (+0.1%) to reach $42,591 million in November. In the end, gains made by chemical (+5.3%) and petroleum & coal product (+2.9%) producers were able to make up for a slide in transportation equipment (-4.3%).

Data Source: Statistics Canada

- **Retail sales in BC advanced for a fourth consecutive month in November increasing 0.6% (*seasonally adjusted*) to $4,679 million.** Higher gasoline (+2.3%) and used vehicle sales (+2.7%) were not enough to balance out the decline in new car sales (-3.7%) resulting in a slight drop in the automotive sector (-0.8%). However, clothing & accessories (+4.4%), furniture & home electronics (+3.1%) and pharmacies (+2.7%) all registered significantly higher retail activity and helped to push total sales higher.

  Nationally, retail sales dipped 0.3% to $35,247 million in November due to a downturn in sales at clothing & accessories stores (-3.6%). In all, seven provinces recorded a drop in retail activity with Ontario (-0.4%) and Saskatchewan (-1.1%) being the largest contributors.

  Data Source: Statistics Canada & BC Stats

- **British Columbia's wholesalers saw sales rise 1.0% (*seasonally adjusted*) to $4,080 million in November.** The motor vehicle sector (+20.2%) was the main contributor to the rise in provincial wholesale activity. Nationally, wholesale sales rose 2.5% to $42,366 million as a result of strong sales in the motor vehicle (+9.6%) and food products (+2.9%) trade groups.

  Data Source: Statistics Canada & BC Stats

- **Total travel to Canada via British Columbia was 1.3% (*seasonally adjusted*) higher in November.** American arrivals were up 0.9% with the number of both same-day (+1.0%) and overnight (+0.8%) trips rising. The number of visitors from countries other than the United States jumped 2.7% with large increases in Asian (+4.9%) and European (+2.6%) entries making up for a decline in the number of arrivals from other regions (-1.7%).

  Data Source: Statistics Canada & BC Stats

2009 in Review

- **Looking back, consumer prices in BC were virtually unchanged (+0.0%) in 2009.** While prices for food (+4.3%), and household operations (+2.2%) registered significant increases during the year, transportation (-4.6%) and shelter (-1.7%) costs had eased primarily due to lower energy prices (-11.3%) and costs associated with home ownership (-2.5%).

  Nationally, prices rose 0.3%, the smallest increase recorded since 1994 (+0.1%). Lower energy prices (-13.5%) was the main reason for the apparent low level of inflation.

  Data Source: Statistics Canada

Health

- **In November, roughly 9% (1.5 million) of Canada's workforce aged 15 to 69, reported an average loss of 19.6 hours of work due to either H1N1 or seasonal flu.** During the same month, 600,000 people worked an extra 14.3 hours each as a result of either H1N1 or seasonal flu. The net effect was a loss of 20.9 million hours in November, a level comparable to the Ontario-US power outage in August 2003 where 18.9 million hours of work were lost.

  A greater proportion of women (10.5%) than men (7.6%) reported being off work due to H1N1 or seasonal flu. However, the average number of hours lost was the same across the sexes. Workers aged 30 to 44 were the most affected with nearly one in eight (11.8%) reporting to have lost time due to either H1N1 or seasonal flu. *Data Source: Statistics Canada*

***Infoline** Issue: 10-03*
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For data originating from Statistics Canada, data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the catalogue number.

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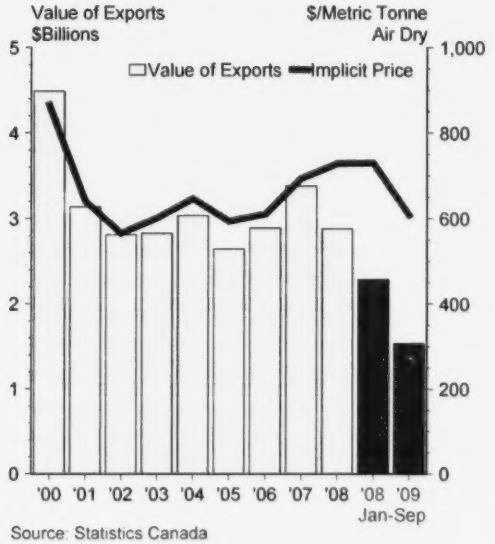
originally published in
Exports Issue 09-09

BC's Pulp and Paper Exporters Facing Challenges

British Columbia's pulp and paper industry has been struggling over the last couple of years in the face of lower prices and reduced demand resulting from the global economic slowdown. The value of BC's pulp exports fell 15% between 2007 and 2008 and over the first three quarters of 2009, exports have dropped another 33% compared to the same period in 2008. The announcement that the Eurocan pulp and paper mill in Kitimat is slated to be permanently closed on January 31, 2010 putting 535 people out of work has cast further pallor on the industry.

British Columbia's pulp exports have been slumping over the last couple of years



Source: Statistics Canada

West Fraser Timber Co. Ltd., the owner of the Eurocan mill, has stated that high costs and poor returns are the reasons for the closure. Pulp prices have actually risen in recent months, even prompting two Vancouver Island pulp mills to increase production by restarting dormant lines, but a high-valued dollar, strong foreign competition and increased production costs have affected the viability of the Kitimat operation. The rise in costs is mainly due to a shortage of lower-cost wood chips, which is the result of slowdowns at region lumber mills in reaction to falling demand for lumber. As a result, the pulp and paper mill has had to rely more heavily on pricier whole log chips as inputs.

Eurocan will be the second major pulp mill shut down in BC in just over a year, as Catalyst Paper idled its Elk Falls mill in November 2008, putting about 440 people out of work. Fibre supply problems were also a significant factor in the shutdown of the Elk Falls facility as the mill relied primarily on sawdust from Interior lumber mills to produce its pulp.

It is likely that fibre supply will continue to be a problem for BC pulp mills given the damage the mountain pine beetle has inflicted on the province's pine forests, as well as the competition for that supply from other uses, such as the manufacture of biofuel.

Another difficulty facing BC pulp producers is the issue of the "black liquor" subsidy available to competitors in the United States. Black liquor is a by-product of the pulping process that pulp mills use as a biofuel to run their operations. Pulp producers in the United States have been taking advantage of a tax credit for companies that mix alternative fuels with fossil fuels. The tax credit is meant to encourage the development of more environmentally-friendly fuels; however, some pulp companies have been mixing small amounts of diesel in with the pure biofuel to gain access to the tax credits, in essence defeating the entire purpose of the tax credit. The loophole in the legislation can be viewed as a subsidization of the US pulp industry, saving American pulp producers billions of dollars and creating an advantage over foreign competitors.

The subsidy is harming not only foreign companies, but also American companies that are not eligible for the subsidy. Those mills that employ a mechanical pulping process and those that use recycled materials as inputs do not produce black liquor as a by-product and therefore cannot get the tax credit. This means that mills using a chemical process that has black liquor as a by-product can afford to offer their products at a lower price.

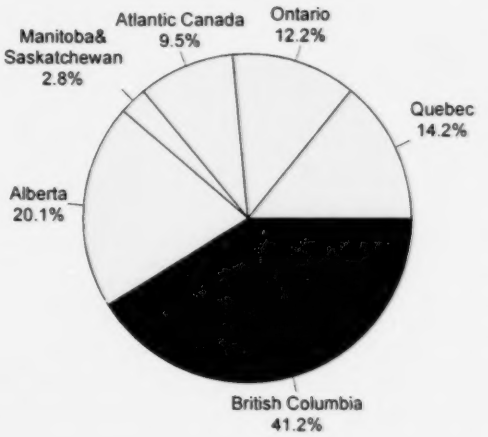
For British Columbia, the threat is not only to pulp mills, but also to the lumber mills that derive revenue from supplying the pulp industry with wood chips and sawdust. The Canadian federal government has reacted to the threat to Canada's forest industry by offering one billion dollars for a green energy fund available to companies that produce black liquor. There is a requirement that the money be used to finance environmental upgrades, in contrast to the US subsidy, which has no such restrictions. While the fund has been welcomed by the Canadian industry, it is thought that it will not be enough to offset the impact of the American subsidy and, of course, producers using mechanical processes or recycled material inputs are excluded.

The American tax credit expires in December; however, a new subsidy program is set to take its place that could apply to black liquor and this has Canadian pulp producers concerned.

Given that about two-fifths of Canadian pulp exports are produced in British Columbia, these types of trade distorting subsidies are of particular concern to this province.

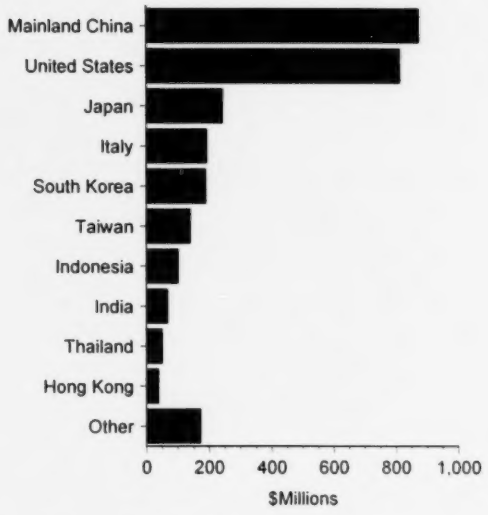
British Columbia exported $2.9 billion dollars worth of pulp in 2008, amounting to almost four million metric tonnes. The top destination for BC's pulp exports was Mainland China, which imported about 30% of the pulp shipped from the province in 2008. The United States was the next largest market, taking in 28% of BC's pulp exports. Japan (8%), Italy (7%) and South Korea (7%) rounded out the top five destinations for BC pulp. Given that the United States is such a significant market for BC pulp and given that American pulp exporters compete with BC producers in the other major markets, anything that gives American pulp producers an advantage will likely cause harm to BC companies. After Mexico (the destination for 15% of US pulp exports), the next three top destinations for American pulp products in 2008 were Mainland China (14%), Italy (9%) and Japan (9%). The US also shipped about 3% of its exported pulp to Canada.

In 2008, British Columbia was by far the most significant exporter of pulp in Canada



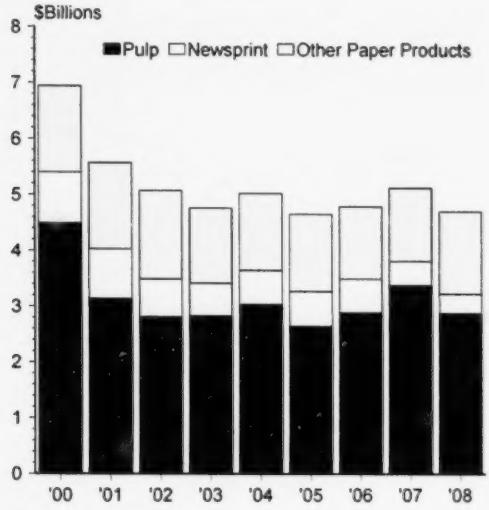
Source: Statistics Canada

The bulk of BC's pulp exports are shipped to Asia and the United States



Source: Statistics Canada

Pulp comprises the bulk of BC's pulp and paper exports



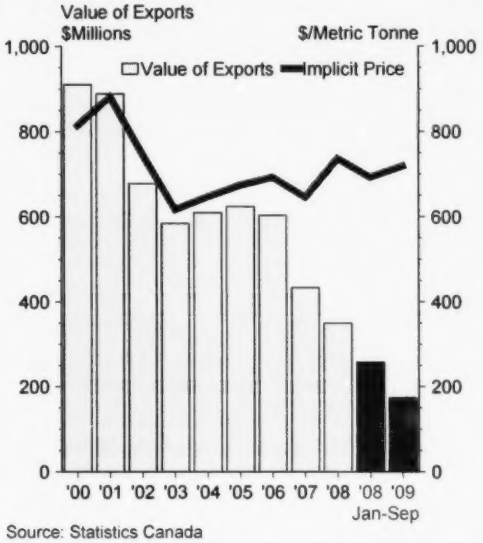
Source: Statistics Canada

Pulp makes up the bulk of BC's pulp and paper exports. In 2008, about 61% of total pulp and paper exports were comprised of pulp. Another 7% was newsprint and other paper products accounted for the remaining 31%. BC's paper exports have fared somewhat better than pulp, with exports of paper (excluding newsprint) climbing almost 13% between 2007 and 2008. However, the economic downturn appears to have affected demand for this product as well, as the value of exports has slumped 13% year-to-date to September compared to the first three quarters of 2008.

Over three-quarters (76%) of BC's exports of paper products (excluding newsprint) were shipped to the United States in 2008. Mexico (4%) was the next largest market for paper products made in British Columbia.

Newsprint producers have faced the most challenges in the pulp and paper sector, as exports of that product have trended down throughout the last decade. From 2000 to 2008, the value of BC's newsprint exports plunged almost 62%. So far in 2009, shipments of newsprint to international destinations have fallen 32% compared to the same nine-month period in 2008. This is despite the fact that the price BC newsprint exporters have received for their product has been trending up over the last several years.

The value of British Columbia's newsprint exports has fallen dramatically in the last few years

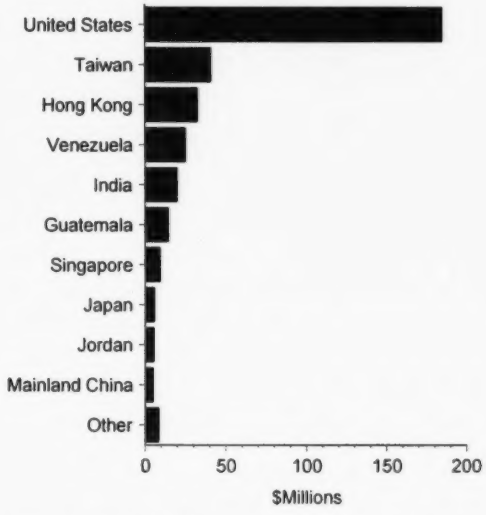


Source: Statistics Canada

Several large newspaper dailies in North America have ceased operation in the last couple of years as competition from sources such as the Internet and all-news cable television networks have reduced circulation and this has had a marked effect on demand for newsprint. Newsprint is used mainly to produce newspapers, of which daily newspapers comprise the bulk of the market, with advertising flyers and non-daily newspapers making up a much smaller portion of the demand for the product.

According to the World Association of Newspapers, newspaper circulation fell 3.7% in North America in 2008[1]. Europe also saw a decline, with circulation dropping 1.8%; however, overall global newspaper circulation climbed 1.3% and is up 8.8% over the last five years. Africa (+6.9%), Asia (+2.9%) and South America (+1.8%) all experienced increased newspaper circulation in 2008. The problem for BC newsprint producers is that the United States represents more than half of BC's export market for newsprint.

Over half of BC's newsprint exports were sent to the United States in 2008



Source: Statistics Canada

In addition to declining demand due to lower circulation in the US, BC producers have lost some market share to foreign competitors, particularly from Asia. For example, BC's newsprint exports to Japan have dropped sharply. As recently as 2002, Japan imported a fifth of BC's newsprint shipments, but by 2008, this share had dropped to less than 2% as Japan has largely switched to other suppliers for its newsprint needs. Given that Asia is one of the areas where newspaper circulation is growing, this is doubly troubling for BC exporters.

Some of the drop in exports of pulp and paper products is likely cyclical and once the global economy rebounds, the demand for these products could also bounce back. However, issues such as fibre supply, the subsidies that are reducing Canadian pulp mills' competitiveness

[1] World Association of Newspapers, "Newspaper Circulation Grows Despite Economic Downturn: WAN," May 27, 2009.

with their American counterparts and the decline in newspaper circulation in North America could have more lasting impacts. If the industry cannot find ways to combat these problems, there could be more mill shutdowns in addition to those in Elk Falls and Kitimat. If so, there could be repercussions throughout the BC economy, particularly for the affected communities.

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Email transmission information service from BC Stats

also on the Internet at www.bcstats.gov.bc.ca or choose RSS

BC at a glance . . .

POPULATION (thousands)	Jul1/2009	% change on one year ago
BC	4,455.2	1.6
Canada	33,739.9	1.2
GDP and INCOME (Revised Nov 9)		
(BC - at market prices)	2008	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	197,931	3.3
GDP *($ 2002 millions)*	164,520	0.0
GDP *($ 2002 per Capita) (reflects revised pop)*	37,529	-1.7
Personal Disposable Income *($ 2002 per Capita)*	25,931	3.2
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Nov	2,785	-0.8
Merchandise Exports - Nov	1,999	1.5
Retail Sales - Nov	4,679	0.6
CONSUMER PRICE INDEX	% change on	12-month avg
(all items - Dec 2009)	one year ago	% change
BC	0.4	0.0
Vancouver	0.7	0.1
Victoria	0.5	0.1
Canada	1.3	0.3
LABOUR FORCE (thousands)		% change on
(seasonally adjusted)	Dec '09	prev. month
Labour Force - BC	2,476	0.1
Employed - BC	2,266	0.0
Unemployed - BC	209	2.0
		Nov '09
Unemployment Rate - BC *(percent)*	8.4	8.3
Unemployment Rate - Canada *(percent)*	8.5	8.5
INTEREST RATES (percent)	Jan 20/2010	Jan 21/2009
Prime Business Rate	2.25	3.00
Conventional Mortgages - 1 year	3.60	5.00
- 5 year	5.49	5.79
US-CANADA EXCHANGE RATE	Jan 20/2010	Jan 21/2009
(avg. noon spot rate) Cdn $ per US $	1.0478	1.2741
(closing rate) US $ per Cdn $	0.9551	0.7963
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	Dec '09	one year ago
BC	815.03	2.3
Canada	811.07	1.9

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

Aboriginal Peoples Profiles - BC

Province-level profiles have been added to this series. These profiles provide comparisons of the socio-economic conditions of the Aboriginal populations as well as profiles of Aboriginal groups such as First Nations, Métis, and Status Indians using data from the 2006 Census.

www.bcstats.gov.bc.ca/data/cen01/abor/ap_main.asp

Population Estimates 2009

Population estimates by municipality, regional districts and development regions are now available for 2009.

www.bcstats.gov.bc.ca/data/pop/pop/estspop.asp

Historical Census Profiles

We have added detailed profiles for regional districts, municipalities, unincorporated areas and Indian reserves from the 1996 and 1991 censuses. Registration is required for access.

www.bcstats.gov.bc.ca/census.asp

Population Highlights - NEW

Population Highlights is a new BC Stats periodical that replaces both Migration Highlights and Immigration Highlights. This release provides detailed current information on population flows between British Columbia and other provinces/territories and the rest of the world, as well as other components of population change. Also, a feature article provides additional analysis on a topic of interest related to migration or immigration issues.

www.bcstats.gov.bc.ca/pubs/pr_pop.asp

Released this week by BC Stats

- Consumer Price Index, December 2009
  Includes annual averages for 2009

Next week

- Business Indicators, January 2010
- Current Statistics, January 2010

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